

Chapter 1

Introduction

The current research seeks to evaluate the suggested factors or independent variables which affect customer satisfaction towards banking industry in Malaysia among Arab and non-Arab bank customers, trying to highlight whether there are any differences in customer satisfaction levels between them due to cultural background differences, in the presence of service value between service quality and customer satisfaction.

The concept that customer satisfaction has an essential role for survival and success in the market in today's competitive business world is slowly but surely becoming a business goal as more corporations struggle for excellence in their services and/or products and (Bitner &Hubbert, 1994). The research focuses on a major goal or objective which is to test the proposition of using customer service value perceptions as a construct when added to the model of service quality and customer satisfaction in order to increase the model ability to clarify variance in service quality in the process leading to overall customer satisfaction. Furthermore to test the direct relationship of customer expertise, ethnicity and demographic factors with customer satisfaction.

1.1 Purpose and significance of the study:

The purpose of the study is to build on the previous researches results in the area of customer satisfaction; this study is trying to expand the scope of research and test other factors through fairly new environment. To do so there was a partial significance in this research based on selecting different population sample, where in conducting previous researches the sample of Muslims and non Muslims in different areas and segments were chosen (Mohammad Ziaul Hoq and Muslim Amin, 2010) ; to investigate the issue of customer satisfaction.

In this research we had the intention to choose the Arab and non-Arab customer regardless of religion to explore their satisfaction toward the retail banking in Malaysia in order to know whether there was a difference in the level of satisfaction between the two groups. Hence the findings of (Suhaila Ghuloum, Abdulbari Bener and F. Tuna Burgut, 2010) showed that there is no ethnic difference observed in the satisfaction score between Qatari and Arab expatriate patients in Qatar, but a significant difference was observed between Arab and Spanish psychiatry patients in all domains of satisfaction.

Also the results of Hart, Rampersad, Lopez & Petroski, (2008) research showed that students representing multiple ethnicities differ in their perceptions of the importance of key dimensions of service quality as well as how relevant these perceptions are for student retention and intention to recommend their university to others.

Furthermore, in this study we assume the demographic factors and customer expertise as a direct independent variables affecting customer satisfaction, unlike what mentioned

in previous research (Ahmad Jamal, 2002); these variables were treated as moderators to the effects of various dimensions of service quality in relation with customer satisfaction. Based on what was discussed above, the study evaluates the following relationships:

1. The relationship is between service quality dimension and customer satisfaction.
2. The relationship between service value and customer satisfaction.
3. The moderating effect of service value with service quality dimensions and customer satisfaction.
4. The relationship between customer expertise and customer satisfaction
5. The relationship between ethnicity and customer satisfaction.
6. The relationship between demographic dimensions and customer satisfaction.

This study attempt to investigate the impact of value over the service quality dimensions factors that influence customer's satisfaction with respect to banking industry in Malaysia. This research establishes two kinds of effects for service value; the direct effect of service value on the service quality dimensions and the indirect effect over the formation process leading to overall customer satisfaction.

Furthermore the study is inspecting customer expertise factor or the product class knowledge (Sheth et al., 1999, p.533) and demographic dimensions factor in relation with customer's satisfaction. This research gives specific interest into examining the

involvement role of value over the service quality dimension affects customer's satisfaction. The study will look into the extent of the interactive relationships selected in this research, to enable better understanding to the nature of the relationship between the chosen factors and overall customer satisfaction towards banking services or products.

While in selecting Arab and non- Arab customers in Malaysia, we try to have the opportunity to examine the impact of ethnicity and other demographic factors and testing whether these factors could generally influence customer expectations, and their personal experience in evaluating service quality in the process leading to customer satisfaction. The outcome of the assessment is expected to add better understanding to the customer satisfaction with the presence of cultural differences.

1.2 The problem statement:

Malaysia attracting learners and manpower from different countries and nationalities from all over the world, especially the rapid increase in the number of Arab postgraduate and undergraduate students from the Middle East countries; has been started a few years ago specifically after the event of "9/11" in 2001, as highlighted in the research of Morshidi Sirat (2008). Although, there is no exact statistical number of Arab students in Malaysia, this growing number is significant; according to the Ministry of Higher Education Malaysia (2007) and based on student visas/passes issued by the Immigration Department of Malaysia; Table (1) shows the number of the International students at public and private higher education institutions was 45,550 on July 2007.

Table (1) International students at public and private Higher education institutions in Malaysia, 2002–2007 (July).

Year	Public	Private	Total
2002	5,045	22,827	27,872
2003	5,239	25,158	30,397
2004	5,735	25,939	31,674
2005	6,622	33,903	40,525
2006	7,941	36,449	44,390
2007 (July)*	12,419	33,131	45,550

Source: Ministry of Higher Education Malaysia (2007)

Note: Based on student visas/passes issued by the Immigration Department, Malaysia.

In addition to what mentioned by the minister of higher education on September 13, 2011 and published in the Malaysian insider, that the international student population in Malaysia has risen above 90,000 which represent around 2% of the total international student population from around the world.

Malaysia has an advanced financial sector; the banks have been known as being in line with the latest technology, researches and studies to maintain the development of banking services, facing the open financial markets, such challenges within the competitive environment should push the banking system to be more efficient to maintain financial stability. In the other hand Chaffai and Dietsch (2007) state in the finding of the research that technical inefficiency is large in the Middle East and North Africa (MENA) region as compared to Europe and Asia.

While another research about Middle East and North Africa banking sector conducted by Samy Ben Naceur, Hichem Ben-Khedhiri, Barbara Casu, (2009) state in the finding that

“ the banking services in the Middle East still suffering technical inefficiency and technology gap due to the quality of the legal system, and low regulated environment which tends to reduce bank efficiency” . Moreover the World Bank organization stated in the annual report on September 2011 that ” in the Middle East and North Africa the Financial Access and Stability shows that the poor access to financial services is due to lingering weaknesses in financial infrastructure (such as limited coverage of credit information and weak creditor rights)”. Also the research finding of (Zolait, 2010) about factors influencing Yemeni bank users pointed out that the adoption of internet banking (IB) financial service is still relatively low while a majority of the respondents are innovators and early adopters of internet banking.

Accordingly and based on the previous review this study try to investigate whether there are any differences in the level of Arab bank customer satisfaction and non-Arab satisfaction towards banks in Malaysia, and examine the role of value as a moderator variable with service quality in enhancing customer satisfaction.

1.3 Objectives of the study:

Based on the review of previous researches, our goal is to find the right population sample, in order to get the precise responses where by obtaining accurate and clear responses we should support the research hypothesis for the purpose of reaching the desired results of conducting the current research.

As mentioned, three objectives have been identified in order to be analyzed, summarize and translated into a list of research questions. The *first* is to investigate the relationship between each of the three dimensions of service quality (core, relational and tangible) and customer satisfaction in the presence of moderating factor of service value to explore to what extent the service value could affect the relationship between SQ and CS in banking services. The *second* objective emphasize on the effectiveness role of customer expertise as an independent variable on customer satisfaction.

While the *third* objective of this study is to highlight the role of ethnicity and general demographics differences and length of stay factors in affecting on overall customer satisfaction.

1.4 Research Questions:

The research questions are formulated as follows:

- 1- What is the affect of the service quality dimensions on overall customer satisfaction?
- 2- What is the role of service value in moderating the effects of the various dimensions of service quality in the formation process leading to overall customer satisfaction?
- 3- What is the affect of customer expertise on overall customer satisfaction?

- 4- What is the role of ethnic background and consumer individual demographic differences on overall customer satisfaction?

1.5 Scope of the study:

Banks customers in Malaysia were chosen to conduct the research in. Banks in Malaysia has been known for its improving methods and features which are facilitated by advanced technological developments to offer the easier and simpler processing methods to the customer in order to reduce the time needed in conducting their daily banking, also the banks in Malaysia are operating in a competitive environment , where many local and foreigner banks branches operating in the country and competing to satisfy the customers, with the presence of competitive advantage, competitive pricing, strong presence of the internet and mobile banking.

1.6 Organisation of the study:

The research consists of five chapters:

Chapter 1 of this study introduced the problem statement and the significance of research in addressing the specific problem in the study as well as design components.

Chapter 2 presents a review of literature and relevant research associated with the problem addressed in this study.

Chapter 3 presents the methodology; the outline of the chosen sample, techniques and procedures used for data collection and analysis.

Chapter 4 contains summary of statistics, measures analysis, testing of hypothesis and presentation includes the research results.

Chapter 5 offers a summary and discussion of the researcher's findings from the study, some implications for practice, and recommendations for future research.

Chapter Two

Literature Review

2.0 Introduction:

This chapter deals with the review of literature related to the research issues investigated by this project, and reviewing the relevant research findings in order to promote and support discussions about the interaction between the research constructs. The chapter begins with (1) a definition of satisfaction term and customer satisfaction definitions, importance, levels, explanation of the importance of customer satisfaction for the banking industry. Then (2) service quality concept definitions and service quality dimensions for general banking services, (3) relationship between service quality and customer satisfaction (4) service value, (5) customer expertise and (6) demographic factors. Then followed by the statement of hypothesis and theoretical framework.

2.1 Satisfaction:

As mentioned by Michael A. Jones, Jaebeom Suh, (2000); satisfaction can be considered at two levels: the transaction or encounter level and overall satisfaction. Klaus (1985, p.21) defines satisfaction as “the customer’s subjective evaluation of a consumption experience, based on some relationship between the customer’s perceptions and objective

attributes of the product”. Rowley (1997), note that “expectation of customer satisfaction are views as prediction that consumer makes about a transaction or exchange”. While Maister (1985) pointed out that “both what is perceived (outcome) and what is expected are subjective and therefore it is a psychological phenomena not a reality”. Satisfaction is defined as an evaluation of (product) experience; Hunt (1977). It is based on customers’ cognitive and affective evaluation of their personal experience across all service within the relationship (Storbacka et al., 1994).

2.2 Customer satisfaction:

Customer satisfaction with both theoretical and practical importance is a critical issue for many: e.g., researchers, marketers, managers, accountants, and other stakeholders of organizations (Meuter et al., 2009; Naser et al., 2002; Kaplan and Norton, 2007; Jamal and Naser, 2003; Gouws, Habtezion, Vermaak and Wolmarans, 2006).

Customer satisfaction definition, construct measurement, and dimensions have been covered in details through many researches since the early 1960’s. As Sprowls and Asimow (1962) tell that repeat purchase is an indicator to customer satisfaction through developing a customer behavior model. Cardozo’s (1965) suggested in his study that customer satisfaction for a product was determine by customer’s expectation and the degree of effort to get the product. Oliver (1997) describe satisfaction as “the consumer’s fulfillment response, a post consumption judgment by the consumer that a service

provides a pleasing level of consumption-related fulfillment, including under- or over-fulfillment”. As mentioned by Oliver, (1980) and Yi, (1990); customer satisfaction is considered as a fundamental determinant of long-term customer behavior, and as an overall evaluation of service that shapes the future interaction (Crosby, 1990). This importance of customer satisfaction is due to the behavioral outcomes such as customer retention and commitment, increased future repeat purchases, customer spending, and creation of a mutually rewarding bond between the user and the service provider that increases customer tolerance for services’ and products’ failures (Arasile et al., 2005; Rust and Dikempe, 2008; Li, Sun, and Wilox, 2005; Homburg, Koschate, and Hoyer, 2005).

Considering customer satisfaction as an attitude, (while attitude is a pre-decision construct, satisfaction is a post decision experience construct. LaTour and Peat, 1979) it can be assessed as the sum of the satisfactions with the various attributes of the product or service (Churchill and Surprenant, 1982).

Oliver (1980) explained that customer satisfaction is full meeting of customer expectation of the products and services. Churchill and Surprenant (1982) have identified the antecedents and construct measurement of customer satisfaction by introducing the concept of “disconfirmation paradigm” to compare a product’s performance with the customer’s expectation and desire. On (1993) Boulding et al. conceived customer satisfaction as transaction specific. The transaction specific conceptualization views customer satisfaction as an evaluative judgment following a specific buying process (Hunt 1977; Oliver 1977, 1980,

1993). On the other hand, Anderson, Fornell and Lehmann, (1994) suggested cumulative consumption experience concept to refer to customer satisfaction, where the emphasis is more on the total evaluation based on total consumption over time (Johnson and Fornell, 1991; Fornell, 1992).

Customer satisfaction can be obtained when the actual performance exceeds the expectations of those being served (Dehghan & Shahin, 2011). It is widely recognized that Customer satisfaction is a key influence in the formation of customer's future purchase intention (Taylor and Baker, 1994). And customer satisfaction results after the customer accepts the entire quality of a product and has a satisfying feeling towards his expectations.

Marketing scholars set that "Customer satisfaction is one of the important outcomes of marketing activity" (Oliver, 1980; Surprenant and Churchill, 1982; Spreng et al, 1996; Mick and Fournier, 1999). Also Kotler (2000) looked into the importance of customer satisfaction and defined satisfaction as: "a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations".

As well Customer satisfaction refers to customer's fulfillment response (Rust and Oliver 1994). (Ho & Wu 1999) pointed Customer satisfaction as a critical issue to the success of traditional and online business system. Recently it became noticeable that the financial institutions are conducting customer satisfaction surveys to obtain a fundamental understanding of factors impacting customer satisfaction further more meeting the stress

of increasing demand for long term profitability of dotcom companies and traditional companies (Pather, Erwin & Remenyi, 2002).

Satisfied customer increase profitability (Vorhies and Morgan, 2003; Carden and Dellifrain, 2004; Mququ, 2005; Tantakasem, 2006), highlighted that customer satisfaction is considered to be the best indicator of a company's profitability. As with further satisfied customers, organizations will be successfully more profitable. In order, satisfied customers tend to be less price-sensitive, more willing to buy additional products, and less affected by competitors (Hansemark and Albinsson, 2004)

Customer satisfaction in financial services companies is considered as the essence of the success and in the other hand it is the main influential factor on customer retention (Krishnan et al., 1998; Anderson and Mittal, 2000; Mittal and Kamakura, 2001; Hansmark and Albinssen (2004); Mququ, 2005; Keiningham et al., 2005), which in conjunction with customer loyalty will lead to greater profitability (Anderson and Mittal, 2000; Carden and Dellifrain, 2004; Mququ, 2005; Hansemark and Albinsson, 2004) because they secure future revenues (Eugene et al., 2004) lower costs and attract new customers. (Anderson and Mittal, 2000) set that within the competitive business environment, customer satisfaction will create barriers to switching and improve business relationship with their customers.

Organizations in the financial services industry offer multiple services and products to meet the needs of various segments of customers, through different channels of delivery (Krishnan et al., 1998). For example, in banking services customer can get the service at

a branch office, or it is provided through an automated telephone call centre, IT channels via home personal computer over the internet. By improving general service and product quality attributes, customer satisfaction should increase (Anderson and Mittal, 2000).

File and Prince (1992) argued that banks can increase or get more customers through positive word of mouth advertising about the bank resulting from customer satisfaction, wherever satisfied customers can tell others about their experiences with a certain service or product; as attracting new customers will lower costs and improve profitability (e.g., Jamal and Naser, (2003); East, (1997). On the other hand the dissatisfied customers, are likely to engage in negative word of mouth and switching to other brands; Levesque and McDougall (1996) confirmed that the dissatisfaction can cause a fall in the willingness to recommend the service or product to the others following the drop in customer satisfaction which in turn would lead high rate of switching customers.

The satisfying experience is the reaction between the actual and expected perception before and after using a service or product; such a reaction could be the customer foundation to evaluate the specific service or product. The good perceptions results from total satisfaction are very similar to the meaning of “customer value package” brought by Fredricks and Salter (1985); this package includes: (price, product quality, service quality, innovation, corporate image).

We can realize from the literature above the existence of a close relationship between service or product quality and customer satisfaction, many researchers supported the

essence of this concept, and try to find the best way to manage services quality and to gain better understanding to its dimensions as a critical factor that affects customer satisfaction.

2.3 Service quality:

Service quality is one of the most important research topics for the past few decades (Gallifa & Batalle, 2010). Service quality definitions and dimensions, were discussed in different areas in business; anywhere service or product quality is one of the fundamental and effective tools to serve organization competitive advantage in business, helps companies improve their performance (Yeung, Chew et al., 2002). Some important definitions of service quality:

As a fact, the process of receiving the service is both a psychological and personal experience to evaluate. On this base, Bruke (2005) discussed that since the service is an intangible product, we are left to evaluate it using our emotions. Rowly (2000) build on this theory and find that the service quality “expectation” is the customer desire about what service should offer than would offer.

Parasuraman et al., (1985, 1988) proposed through many researches that service quality is “a function of pre-purchase customer expectations, perceived process quality, and perceived output quality “and stated that “Service quality is determined by the differences

between customer's expectations of services provider's performance and their evaluation of the services they received".

Asubonteng et al. (1996): defined Service quality as "the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received". (Lewis and Mitchell, Parasuraman et al., 1985; Lewis and Mitchell, 1990) define service quality as "the extent to which a service meets customers' needs or expectations". Also known as a 'critical prerequisite for establishing and sustaining satisfying relationships with valued customers' (Lassar, Manolis et al., 2000, p. 244)

Service quality defined by Fogli (2006, p.4) as "a global judgment or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services. Service quality is a cognitive judgment"; while (Gronroos 2000, p.46) defined service quality as "A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems".

(Cronin and Taylor, 1992; Parasuraman et al., 1985, 1988) defined perceived service quality as the consumer's judgment of, or impression about, an entity's overall excellence or superiority. Additionally service quality has been defined as 'the delivery of excellent

or superior service relative to customer expectation' (Zeithaml and Bitner 1996, p.117). The authors (Cronin and Taylor, 1992; Parasuraman et al., 1985) described service quality as a form of attitude that results from the comparison of consumer expectations with service performance delivered.

(Schneider and White, 2004, p. 10) mentioned that Service quality is nevertheless 'subjective and hinges on the individual perceptions of customers' whilst (Burch, Rogers et al., 1995, p. 1) stated that "Services quality results in customer satisfaction which 'leads to market share and profits'; others like (Ugboma, Ogwude, & Nadi, 2007) argue that "More and more organizations emphasize on service quality due to its strategic role in enhancing competitiveness especially in the context of attracting new customers and enhancing relationship with existing customers"

According to Wisniewski (2001)"Service quality is a concept that has evoked considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either ". While (Carman 1990; Garvin 1983; Parasuraman et al., 1985, 1988) pointed out that the difficulty to measure service quality is due to it's an elusive and abstract construct. In addition to the intangibility of service that can only be rendered or experienced but not change the physical ownership after consumption as described by Shostack (1977).

Delivering quality services is increasingly recognized as the key to success for service providers (Cronin and Taylor, 1992). As (Brady and Cronin, 2001) concluded that "the

conceptualization and measurement of service quality is one of the most debated topics in service marketing literature and perceived service quality has proven to be a difficult concept to grasp”. Quality research in the goods sector was established long before it was established in the service sector (Gummesson, 1991). Moreover (Parasuraman, Zeithaml, and Berry, 1985) explained that “However, understanding quality in the goods sector is inadequate for understanding service quality because of the fundamental difference between the two terms” also suggested in (pp.42) that service quality is ‘performance based’ rather than objects, therefore “precise manufacturing specifications concerning uniform quality can rarely be set”.

2.3.1 Service quality dimensions:

In the past, specifically in the banking sector, banks practice one-stop financial centre strategy to achieve their objective in getting the largest number of customers regardless of the differences between customer and another, by providing a wider and full range of banking services and products.

Since intangibility and heterogeneous are the main feature of financial service, there will be no sense to adopt differentiation strategy within the service mix range because of the short life cycle of the service itself and the competitors can easily imitate or copy any new service. Hence ‘service quality is a multidimensional attitude held by consumers,

with each dimension comprising of a number of attributes or service aspects' (Schembri and Sandberg, 2002, p. 190).

Service quality mainly consists of three major features: “outcome quality, “interaction quality, and “physical service environment quality” (Brady & Cronin, 2002). According to Parasuraman, Zeithaml and Berry (1988), five principal dimensions that customers use to judge service quality include- reliability, responsiveness, assurance, empathy, and tangibles. Service quality dimensions are in turn used in customer focused evaluation towards service elements such as interaction quality, physical environment quality, and outcome quality. Oliver also confirmed that the quality dimensions are quite specific while satisfaction judgments have a broader range of dimensions that also include quality aspects (Oliver, 1993).

Service quality dimension viewed as below:

- *Reliability*: the ability to perform the promised services both dependably and accurately. Reliable service performed is a customer expectation and means that the service is accomplished on time, in the same manner, and without errors every time.
- *Responsiveness*: the willingness to help customers and to provide prompt service, also the ability to recover any service failure in a quickly, skillfully and professionally manner which in turn can create very positive perceptions of quality.

- *Assurance*: reflects the employees' good manners, courtesy through effective communication, competence to perform the service in a respectful way and the ability to convey trust and confidence to their customer.
- *Empathy*: demonstrate caring and special attention to customer through approachability, sensitivity and effort to understand the customer's needs.
- *Tangibles*: the appearance of physical facilities, equipment, personnel, and communication materials.

2.3.2 Service quality and customer satisfaction:

Quality appears to be only one of the service factors contributing to the customer's satisfaction judgments (Cronin and Taylor, 1992). Also highlighted by (Karatepe, Yavas et al., 2005, p. 373) that 'High service quality results in customer satisfaction'. Initially, Cronin and Taylor hypothesized that satisfaction is an antecedent of service quality. Spreng and Mackoy (1996), also provide support for service quality as being an antecedent to satisfaction. Lately, this relationship has also been confirmed from a study in a health-care setting by Deruyter et al. (1997), the study illustrates that service quality should be treated as an antecedent of service satisfaction.

Whereas, Ndubisi and Wah (2005) recommended that banks can create customer satisfaction through developing trust, commitment to service, communicating efficiently

and accurately, delivering services competently, handling potential and manifest conflicts skillfully, and improving overall customer relationship quality.

Traditionally, satisfaction has been conceptualized as a product-related knowledge judgment that follows a purchased act or a series of consumption experiences (Yi, 1999); while (Cronin and Taylor, 1992; Parasuraman et al., 1988) set that customer satisfaction is a primary function of perceived service quality. Many authors highlighted that service quality and satisfaction are distinct constructs (Bitner, 1990; Bitner and Hubbert, 1994; Boulding et al., 1993; Parasuraman et al., 1988; Taylor and Baker, 1994). However, service quality relates to satisfaction but the two are not the same.

Service quality and customer satisfaction are inarguably the two core concepts that are at the crux of the marketing theory and practice (Spreng and Mackoy, 1996). Customer evaluation, expectation and judgment on the perceived service provided in term of quality, “Quality evaluations are not made solely on the outcome of a service; they also involve evaluations of the process of service delivery” (Parasuraman et al., 1985, p.42)

2.4 Service value:

Each of Service quality (Parasuraman et al., 1985, 1988), service value (cf. Zeithaml, 1988), customer satisfaction (cf. Anderson et al., 1994; Oliver, 1981, 1997), with the

physical environment (cf. Bitner, 1992) has been represented as a key driver to assess customer service and the firm profitability. The service value among the mentioned services constructs seems to be the most promising topic due to its direct influence on consumer decision making (cf. Bolton and Drew, 1991).

According to (Zeithaml, 1988) Value is seen to be more individualistic and personal than quality and involves both a get and a give component. Rust and Oliver (1994) argue that it is likely that value, like quality, is an encounter specific input to satisfaction.

Value is a function to cost and result achieved, it is always relative because it is based on perceptions of the way service is delivered and on initial customers' expectations, hence firms could measure value through customer expressions for high or low satisfaction (James L.Heskett, Thomas O. Jones et al., 1994). Both the supplier and customer perceive value as a critical point all the way through providing, delivering and consuming a service. Also the value is clearly related directly to service; in two distinguished objects: in term of service innovation; the firm should make an effort discovering and introducing new values; as well when firm do evaluating to the service quality the focus would be the level and amount of value implementation.

Rust and Oliver (1994) argued that value is specific input to satisfaction. However, Andreassen and Lindestad (1998) challenged that value has no significant impact on customer satisfaction. He further commented that use of attribute performance is more important for customer satisfaction than aggregated value perception.

Moreover, McDougall and Levesque (2000) found that perceived service quality and value were the most significant drivers of customer satisfaction across four service sectors. Authors such as Caruana and Fenech (2005) studied on perceived value towards customer satisfaction and highlighted the importance of value as tangibles, service and behavior manner in customer satisfaction. . In the same way, Lee et al. (2007) examined the multiple dimensions of perceived value and investigated how value affects satisfaction and recommendations to others.

(James L.Heskett, Thomas O. Jones et al., 1994) mentioned that value drives customers' satisfaction and discuss that "customer's today are strongly value oriented, and customers tell us that the value means the results they receive in relation to the total cost."

2.5 Customer expertise:

Satisfaction assessments require customer experience while quality does not (Bolton and Drew, 1991a; Boulding et al., 1993; Cronin and Taylor, 1994; Oliver, 1980; Parasuraman et al., 1988). An empirical research by (Bearden and Teel, 1983; Cadotte et al., 1987) defends the idea that "satisfaction is caused by expectations and requires considerable cognitive effort on the part of customers". Focusing on customer expertise is important to maintain any business and get profitable results. It is significant for service providers to consistently meet or exceed customer expectations (Bojanic, 1991).

Two most important components of customer familiarity and expertise identified by Alba and Hutchison (1987, p.411). Expertise defined as the ability to perform product related task successfully; and Familiarity defined as the number of product related experiences that have been accumulated by consumer. For this the expert customer characterized by high level of pre-purchase, expectations and post-purchase perceptions. Gronroos 1982 argued that “while evaluating the quality of service, customer compare the service they expect with the perception of the services they actually receive”.

Researchers (Parasuraman et al., Bojanic, 1991; Patterson and Johnson, 1993), confirm that it is significant for the service provider to consistently meet or exceed customer expectation and perceptions of service quality. Other researchers indicate that “customers develop norms for product performance based on general product experiences, and these, rather than expectations for a focal brand’s performance, determine the confirmation/disconfirmation process (Cadotte et al., 1987; Woodruff et al., 1983).

Expertise or (product class knowledge) represents the understanding of the attributes class in a product or service, and the knowledge about how various alternatives stack upon these alternatives (Sheth et al., 1999, p533).Customer’s expertise facilitates their learning of new and more complex type of information (Alba and Hutchison, 1987; Cowley, 1994; Mishara et al., 1993).

According to researchers comparison between expert customer (knowledgeable) and novice customer (less knowledgeable) in the informative activities, the finding show that

expert customer have superior ability about learning new information about an offering as compared to novice customers (Johnson and Russo, 1984; Bruck, 1985; Alba and Hutchison, 1987).

The ability and knowledge of expert customers are likely to direct them toward high expectation from the service providers in comparison with novice customers; the reason is that the expert customers are likely to have a superior knowledge of existing alternatives; with a superior ability to encode new information and to discriminate between relevant and irrelevant information (Johnson and Russo, 1984; Alba and Hutchison, 1987). Expert customers are likely to have developed skills in distinguishing between important and unimportant information as well as relevant and irrelevant information (Alba and Hutchison, 1987). As a result we can state that high customer satisfaction coincides with more banking knowledge.

2.6 Demographic factors:

Many studies were done to investigate the service quality perception of bank customers in the different parts of the world (Imam, 1987; Anakwue, 2002; Omar and Ogenyi, 2004).

Given that demographic information is a fundamental and generally necessary consideration for segmentation and targeting (McCarty and Shrum, 1993), understanding the effect of key demographics such as age, income, gender, occupation, ethnicity on customer perceptions of quality is important.

Cultural differences of consumers have the potential to impact their perceptions of products (Sung and Tinkham, 2005); earlier researches have highlighted that customer's expertise and factors like consumer individual differences (such as age, gender, education, occupation) could affect the evaluation criteria in forming performance expectation (Bettman and Park, 1980; Oliver,1980).

Just lately, researchers become aware of the need to assess the impact of ethnicity on consumer assessment of the quality and degree of satisfaction with service provider, as according to (Snow et al., 1996; Lassar, Manolis & Winsor, 2000; Lopez, Hart & Rampersad; 2007; Hart, Lopez, Jalbert, Jalbert & Rampersad, 2007) “ an empirical work has shown that different ethnic groups report differing perceptions and levels of satisfaction with their service providers in the banking, healthcare, and airline industries”

Gender may also impact on perceptions of interaction quality, physical environment quality, outcome quality and systems quality due to gender role socialization, decoding ability, differences in information processing, traits, and the importance placed on core or peripheral services (Brody and Hall, 1993; Dittmar et al., 2004; Mattila et al., 2003). Females have been found to be comprehensive information processors while males are more selective tending to process heuristically and leave out subtle cues (Darley and Smith, 1995; Meyers-Levy, 1989; Meyers-Levy and Maheswaran, 1991; Meyers-Levy and Sternthal, 1991). Also Mattila et al. (2003) found that women were less satisfied than men when the customer contact employee displayed negative emotions.

Age is a powerful determinant of consumer behavior which affects a variety of consumer states including interests, tastes, purchasing ability, political preferences and investment behavior (Neal et al., 2002). Javalgi et al. (1990) found that older consumers perceived personal service and financial advice as important attributes of bank services. Also Javalgi et al. (1990), for example, found that mature customers valued efficient service and evaluated service efficiency more than younger consumers.

Consumers with different income levels have been found to have different perceptions of service quality (Scott and Shieff, 1993). It is generally accepted that individuals with higher income levels also have higher education levels (Farley, 1964). Confirming what mentioned (Holton, 2004) highlights the fact that high income earners seek quality in service interactions.

2.7 Statement of hypothesis:

In actual fact “A hypothesis is a statement or explanation that is suggested by knowledge or observation but has not, yet, been proved or disproved.” (Macleod Clark J and Hockey L 1981). Furthermore “It is a tentative prediction about the nature of the relationship between two or more variables.” (Sarantakos, 1993: 1991). To conduct the study, we set the following group of hypothesis:

H1: There is a positive relationship between service quality dimension and customer satisfaction

H1a: The core dimension of service quality is positively affect customer satisfaction

H1b: The tangible dimension of service quality is positively affect customer satisfaction

H1c: The relational dimension of service quality is positively affect customer satisfaction

Including the interaction between service quality and value will explain more of the variance in satisfaction than the direct influence of either service quality or value on their own; where the presence of a third variable (the Value) has a strong contingent effect on the independent variable- dependent variable relationship, which means that (the moderating variable) modifies the original relationship between the independent and the dependent variables.

Based on that the second hypothesis would be:

H2: There is a positive relationship between service value and customer satisfaction.

H3: The value moderates the relationship between service quality and customer satisfaction

H3a: The value moderates the relationship between core quality dimensions and customer satisfaction.

H3b: The value moderates the relationship between relational quality dimensions and customer satisfaction

H3c: The value moderates the relationship between tangible quality dimensions and customer satisfaction

H4: There is a positive relationship between customer expertise and customer satisfaction

H5: There is a positive relationship between Ethnicity and customer satisfaction

H6: There is a difference between consumer individual characteristics (Demographic factors) and overall customer satisfaction

H6-a: Gender

H6-b: Age

H6-c: Education

H6-d: Occupation

H6-e: Income

H6-f: Years of stay in Malaysia

2.8 Theoretical framework:

The theoretical framework discusses the interrelationships among the variables and developing such a conceptual framework will help to postulate or hypothesize and test the relationships in order to improve the understanding of the dynamics of the situation (Uma Sekaran, 2003; Research methods for business a skill building approach). The main interest of this research is the dependent variable of customer satisfaction towards retail banking service; in which the variance is explained and interpreted by 5 independent variables of (1) service quality, (2) service value (3) customer expertise (4) customer demographics and (5) Ethnicity. The research model is presented in (Figure 1.)

As stated in the literature review that service quality is not a one-dimensional construct, because it incorporates a number of dimensions such as reliability, tangibles, responsiveness, assurance and empathy (Carman, 1990; Gronroos, 1984; Lewis, 1993;

Bitran and Lojo, 1993; McDougal and Levesque, 1994; Parasuraman et al., 1985; 1988.).For this service background could define the composition and number of service quality dimensions (Brown et al., 1993; Carman, 1990). A research provides some support for a link between service quality and satisfaction (cf. Bitner and Hubbert, 1994; Cronin and Taylor, 1992, 1994; Oliver, 1993).

According to (Levesque and, 1996; Gronroos, 1984; McDougall and Levesque 1994; Parasuraman et al., 1991a) we can draw that service quality could be reflected by two critical dimensions; first the core dimensions or aspects represented by (reliability) which concerns the service outcome, while the second is the relational dimensions dealing with process aspects represented by (responsiveness, assurance, tangibles and empathy) which concern the service delivery process (Parasuraman et al., 1991a).

And due to the importance of the tangible dimensions of service quality as an antecedent of customer satisfaction , we consider it to be the third dimension of service quality in our suggested model for the research , also (Bitner, 1990) confirm that “customers make inferences about the service quality on the basis of tangibles that surround the service environment”, and Similarly Dabholkar et al. 1996 stated the same finding in his research about tangible aspects of department stores which influencing customers’ perceptions of service quality; accordingly we choose accessibility and convenience to represent the tangible dimension supported by many researchers confirmations as (Levesque and McDougall, 1996) highlighted that “A convenient bank location means customers can

easily do business with their banks on a regular basis". Appendix (9) details about the items used to measure each construct.

The value as independent variable that moderate service quality dimensions was cited according to Zeithaml (1988) findings from exploratory qualitative work, where four consumer definitions of product or service value were recognized based on the consumers' overall assessment of the product or service utility (Utility theory ; Lancaster, 1971).

The mentioned approach stresses that consumers buy a package of attributes that represent the level of service quality at a certain price offered by the organization. Utility theory indicates to an association between quality and value. Quality provides utility to the customer who in turn must forgo the disutility inherent in price (Lancaster, 1971).

Customer experience in banking service reflects the level of transactions knowledge, cognition and ability of the customer to use, communicate and perform these service transactions effectively, where expert customers are expected to have better, updated skills and also better and enough knowledge with ability to encode new information to classify or differentiate important or relevant information's from unimportant or irrelevant information's about the service.

As we discuss in the review of literature; customers may differ in their levels of expert to assess service quality and satisfaction judgments, where stated that "satisfaction assessments require customer experience while quality does not" (Bolton and Drew,

1991a; Boulding et al., 1993; Cronin and Taylor, 1994; Oliver, 1980; Parasuraman et al., 1988). Also established by researcher that Customers' expertise facilitates their learning of new and more complex types of information (Alba and Hutchinson, 1987; Cowley, 1994; Mishra et al., 1993).

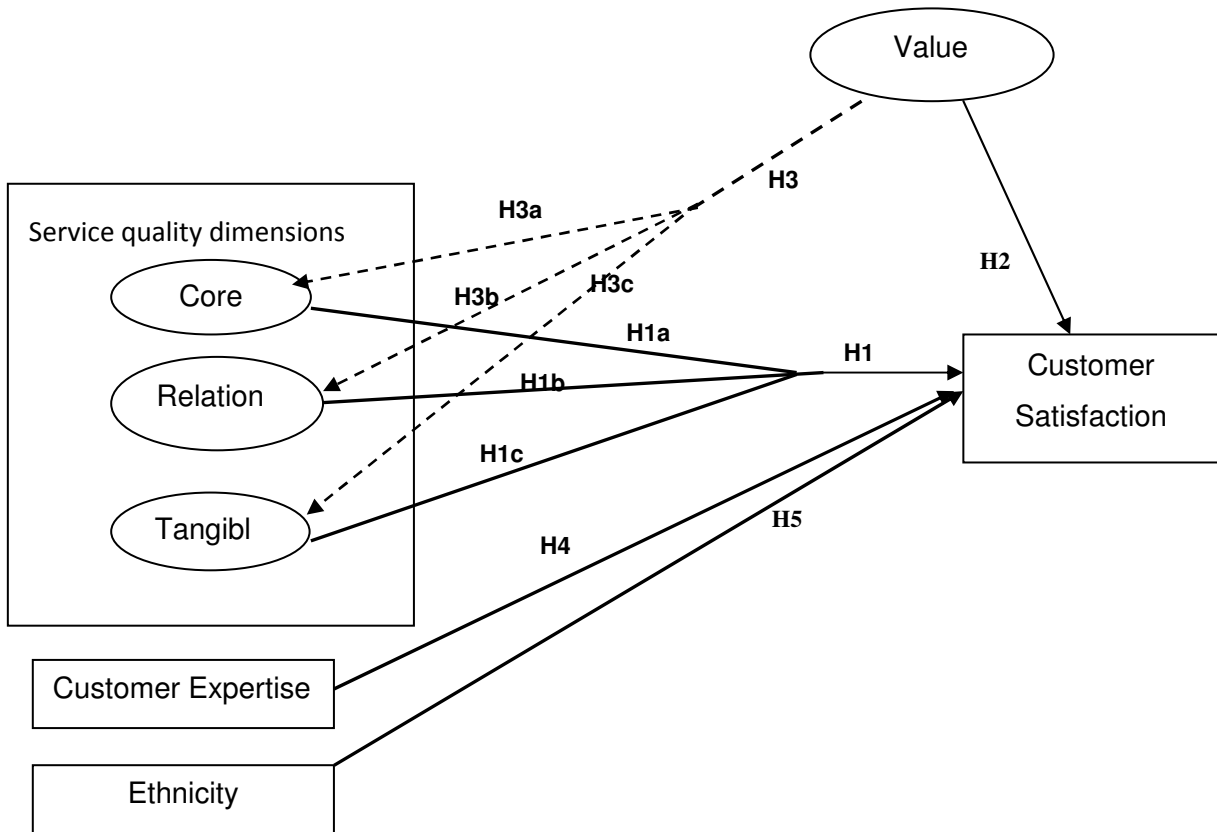


Figure. 1: Research Model

We suggested consumer individual differences -demographic factors- such as age, gender, education, occupation, income, etc; to be included in the research framework as independent variable to investigate the extent of the direct relationship with customer satisfaction.